

121 FERC ¶ 61,083  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Sudeen G. Kelly, Marc Spitzer,  
Philip D. Moeller, and Jon Wellinghoff.

Transcontinental Gas Pipe Line Corporation

Docket No. CP06-34-003

ORDER AMENDING CERTIFICATE

(Issued October 23, 2007)

1. On September 7, 2007, Transcontinental Gas Pipe Line Corporation (Transco) filed an application, pursuant to section 7(c) of the Natural Gas Act (NGA) and Part 157 of the Commission's Rules and Regulations, to further amend its Leidy, Pennsylvania to Long Island, New York Expansion Project (project) certificate issued on May 18, 2006.<sup>1</sup> Transco requests authorization to revise the initial recourse rates for the project to reflect the increased estimated cost of materials and labor.

2. As discussed below, the requested authorization is required by the public convenience and necessity and is granted.<sup>2</sup>

**Background**

3. Transco is a natural gas pipeline company engaged in the transportation of natural gas in interstate commerce by means of its natural gas transmission system extending from Texas, Louisiana, Mississippi and the offshore Gulf of Mexico area, through the States of Alabama, Georgia, South Carolina, North Carolina, Virginia, Maryland, Pennsylvania and New Jersey, to its termini in the New York City metropolitan area.

4. The May 18 Order authorized Transco to construct and operate the project to provide up to 100,000 Dth/d of incremental firm transportation capacity to serve increased market demand on KeySpan Gas East Corporation's (KeySpan) gas distribution

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<sup>1</sup> *Transcontinental Gas Pipe Line Corp.*, 115 FERC ¶ 61,200 (2006) (May 18 Order).

<sup>2</sup> Environmental review of this proposal confirms that this action qualifies as a categorical exclusion under section 380.4(a)(27) of the Commission's regulations. 18 C.F.R. § 380.4(a)(27) (2007).

system. On January 11, 2007, the Commission issued an order amending Transco's certificate authority to add to the project three new gas heaters and appurtenant facilities at KeySpan's existing Long Beach meter and regulator station and to adjust the cost of facilities and rates accordingly.<sup>3</sup> As directed by the January 11 Order, Transco made a compliance filing on February 12, 2007, to recalculate its proposed maximum incremental reservation rates using Transco's system-wide depreciation rate of 2.35 percent for the gas heaters and related facilities.<sup>4</sup> The instant application seeks to further amend those rates. Transco states that the revised target in-service date for the project is December 15, 2007.

### **Notice**

5. Public notice of Transco's application in this docket was published in the *Federal Register* on September 19, 2007 (72 Fed. Reg. 53,550). No interventions, comments, or protests to the application were filed.

### **Proposal and Discussion**

6. Transco estimates that the total facilities costs, as amended, will be \$162,185,451. This represents an increase of approximately \$35.5 million over the facilities costs approved in the January 11 Order. Transco explains that its cost estimates have been increased to reflect the results of bids received from vendors and contractors, as well as actual costs incurred to date on the project. Transco attributes the higher cost estimates to higher than anticipated contractor costs and material costs reflecting the current high demand for, and limited availability of, pipe and other material, material transportation, construction contractors, equipment, and construction workers in the pipeline industry.

7. As part of the project, Transco and KeySpan have executed two firm transportation service agreements under Transco's Rate Schedule FT. In its February 12, 2007 filing, under the first agreement, Transco proposed to charge KeySpan an initial daily maximum reservation rate of \$1.00555/Dth for new firm transportation capacity to be created from the Leidy receipt points to the Long Beach Meter Station. Under the second agreement, Transco proposed to charge KeySpan the sum of (1) the currently effective negotiated reservation rate for the existing capacity from the Leidy receipt points to Transco's Station 210, plus (2) an initial daily maximum incremental reservation rate of \$0.42136/Dth for the additional new firm transportation capacity to be

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<sup>3</sup> *Transcontinental Gas Pipe Line Corp.*, 118 FERC ¶ 62,027 (2007) (January 11 Order).

<sup>4</sup> *See Transcontinental Gas Pipe Line Corp.*, Docket No. CP06-34-002 (April 24, 2007) (unpublished letter order).

created from Station 210 to the Long Beach Meter Station. Transco's proposed revisions to the incremental rates would increase the daily maximum reservation rate charged under the first Rate Schedule FT service agreement to \$1.23912/Dth and the daily maximum reservation rate charged under the second Rate Schedule FT service agreement to \$0.58366/Dth.

8. The Commission accepts Transco's revised proposed maximum rates. As discussed above, due to increased materials and labor costs, the estimated total cost of Transco's amended proposal has increased to \$162,185,451. Transco has recalculated its initial rates using a straight fixed variable rate design methodology, pre-tax return of 15.34 percent, depreciation rate of 2.35 percent, and annualized billing determinants of 18,250,000 Dth and 36,500,000 Dth for the first and second service agreements, respectively, as previously approved in the May 18, 2006 and January 11, 2007 orders.

9. The instant amendment does not change the benefits of the project or result in any adverse impacts. Transco has executed a binding agreement with KeySpan for 100 percent of the firm transportation service under the project. The recourse rates are incremental rates. Thus, the project amendment does not affect the Commission's prior finding of no subsidization or conclusion that the project is in the public convenience and necessity.

10. At a hearing held on October 18, 2007, the Commission on its own motion received and made a part of the record in this proceeding all evidence, including the application and exhibits thereto, as supplemented, submitted in support of the authorizations sought herein, and upon consideration of the record,

The Commission orders:

(A) Transco's certificate of public convenience and necessity, issued May 18, 2006, and amended on January 11, 2007, is further amended as described more fully in the application and in the body of this order. In all other respects, the certificate is unchanged.

(B) Transco's proposed revised initial rates for firm transportation services are approved.

(C) Transco is directed to file actual tariff sheets to implement its proposal no sooner than 60 days and no later than 30 days before service commences.

(D) Transco is directed to file either its negotiated rate agreement with KeySpan or a tariff sheet fully describing the transaction no sooner than 60 days and no later than 30 days before service commences.

(E) Transco must keep separate and identifiable accounts for any volumes transported, billing determinants, rate components, surcharges and revenue associated with its negotiated rates in sufficient detail so that they can be identified in Statements G, I, and J in any future NGA section 4 or 5 rate cases.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Acting Deputy Secretary.